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Universal Basic Income: The New Safety Net?

Joseph Camper

Income inequality in the United States is arguably worse now than during any other period in American history.¹ Globalization has left millions of Americans jobless over the past two decades,² and automation threatens to displace millions of blue and white collar jobs in the coming decades.³ As this paradigmatic economic change continues, a growing chorus of academics,⁴ technologists,⁵ and legislators⁶ are discussing the possibility of providing monthly, unconditional cash payments to all citizens - a universal basic income (UBI).⁷

UBI does not follow the system used by many current federal safety net programs which give supplemental aid conditioned on work requirements.⁸ Nor does it follow the system used by most non-profit aid organizations which give aid in the form of material goods.⁹ Rather, UBI would allow recipients, all adults regardless of employment status, to spend the cash payments in any manner they see fit, with no strings attached.¹⁰ The program would act as a supercharged safety net program, allowing recipients to have more direct control over their finances.¹¹

¹ Jeff Gao, *Income inequality today may be higher today than in any other era*, WASH. POST. (July 1, 2016), https://www.washingtonpost.com/news/wonk/wp/2016/07/01/income-inequality-today-may-be-the-highest-since-the-nations-founding/?utm_term=.96b1e6705490.

² Claire Cain Miller, *The Long-Term Jobs Killer Is Not China. It's Automation.*, N.Y. TIMES (Dec. 21, 2016), <https://www.nytimes.com/2016/12/21/upshot/the-long-term-jobs-killer-is-not-china-its-automation.html>.

³ Arwa Mahdawi, *What jobs will still be around in 20 year?*, THE GUARDIAN (June 26, 2017), <https://www.theguardian.com/us-news/2017/jun/26/jobs-future-automation-robots-skills-creative-health>.

⁴ Miller, *supra* note 2.

⁵ David H. Freedman, *Basic Income: A Sellout of the American Dream*, MIT TECH. REV. (June 13, 2016), <https://www.technologyreview.com/s/601499/basic-income-a-sellout-of-the-american-dream/>.

⁶ Ben Kentish, *Hawaii considering universal basic income after positive trials in Europe*, IN-DEP. (Sept. 5, 2017), <http://www.independent.co.uk/news/world/americas/universal-basic-income-hawaii-introduction-minimum-salary-a7931221.html>.

⁷ Freedman, *supra* note 5.

⁸ *Id.*

⁹ Annie Lowrey, *The Future of Not Working*, N.Y. TIMES (Feb. 23, 2017), <https://www.nytimes.com/2017/02/23/magazine/universal-income-global-inequality.html>.

¹⁰ *Id.*

¹¹ Jordan Pearson, *Universal Basic Income Is the Path to an Entirely New Economic System*, VICE (June 26 2017), https://motherboard.vice.com/en_us/article/vbgwax/canada-150-universal-basic-income-future-workplace-automation.

For example, an American non-profit has started a program in poor, rural villages in Kenya, where the non-profit gives unconditional, poverty ending cash payments to all adults.¹² Monthly cash payments of \$22 give villagers, normally focused on having enough to eat, financial security and newfound flexibility.¹³ One villager was able to buy a motorbike to start a taxi ride business, and another bought fishing nets, which he previously could not afford.¹⁴ Additionally, village children were 42% less likely to go a whole day without eating and domestic-violence rates dropped after payments started.¹⁵

In the developed world, automation of jobs by artificial-intelligence systems, and income inequality, as opposed to food scarcity, are the primary motivations for exploring UBI.¹⁶ A recent Oxford University study found that 47% of jobs in the United States are at risk of becoming automated.¹⁷ For example, routine, repetitive, and predictable jobs such as telemarketing, and tax preparation have a 99% chance of being automated, while legal assistants and paralegals have a 94% chance.¹⁸ Self-driving vehicles also have the potential to displace more than 3 million truck, bus, taxi, and delivery drivers.¹⁹ The retail industry is already hemorrhaging workers, because of the growth of e-commerce.²⁰

Additionally, income inequality in the United States continues to worsen.²¹ The top 1% of income earners make more than 81 times the bottom 50% of earners on average.²² The three wealthiest Americans own more wealth than the entire bottom half of the American population combined, a total of 160 million people.²³ As middle class jobs, which do not require a college

¹² Lowrey, *supra* note 9.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Eshe Nelson, *Why American jobs have a higher risk of automation than jobs in Germany, the UK, and Japan*, QUARTZ (Mar. 24, 2017), <https://qz.com/941163/pwc-study-automation-risk-is-higher-for-american-jobs-than-for-workers-in-germany-the-uk-and-japan/>.

¹⁸ Mahdawi, *supra* note 3.

¹⁹ Natalie Kitroeff, *Robots could replace 1.7 million truckers in the next decade*, L.A. TIMES (Sept. 25, 2016), <http://www.latimes.com/projects/la-fi-automated-trucks-labor-20160924/>.

²⁰ Derek Thompson, *So, Where Are All Those Robots?*, THE ATLANTIC (May 31, 2017), <https://www.theatlantic.com/business/archive/2017/05/so-where-are-all-those-robots/528666/>.

²¹ Heather Long, *U.S. Inequality keeps getting uglier*, CNN (December 22, 2016), <http://money.cnn.com/2016/12/22/news/economy/us-inequality-worse/index.html>

²² *Id.*

²³ Chuck Collins and Josh Hoxie, *Billionaire Bonanza*, FORBES (Nov. 2017), <https://inequality.org/wp-content/uploads/2017/11/BILLIONAIRE-BONANZA-2017-Embargoed.pdf>

degree, continue to wane, and as the nation's wealth continues to concentrate, many technologists argue that UBI will be necessary to support the populace during potentially unprecedented job loss.²⁴ UBI could also act as an incentive for employers to offer better wages, job security, and health benefits, because recipients would have greater options.²⁵

CASE STUDIES: ONTARIO, FINLAND, AND HAWAII

Lawmakers in the Canadian province of Ontario recently implemented a three-year UBI pilot program that provides 4,000 adult recipients, comprised of a mix of those in precarious low-paying jobs and those already on public assistance, unconditional monthly cash payments.²⁶ Individual recipients receive up to \$12,570 USD annually, and couples receive about \$19,000 USD annually.²⁷ Government researchers will monitor the impact that the payments have on recipients' health, education, housing, and labor market participation.²⁸ Academics monitoring the program caution that the program should not be measured by whether the recipients on public assistance find work.²⁹ Recipients may choose to stay unemployed in order to further their education or take more time to find the job they want rather than a job they need.³⁰

Additionally, Finland recently implemented a two-year UBI pilot program which gives monthly cash payments of €560 to 2,000 unemployed adults.³¹ In contrast to Ontario's program, Finland's cash payments are meant to encourage recipients to find work.³² Since the new cash payments replaced the recipients' unemployment benefits, critics argue that the pilot program is better characterized as unconditional unemployment benefits, rather than true

²⁴ Freedman, *supra* note 5.

²⁵ Rebecca Fortin, *Canada is betting on a universal basic income to help cities gutted by manufacturing job loss*, QUARTZ (Feb. 20, 2017), <https://qz.com/914247/canada-is-betting-on-a-universal-basic-income-to-help-cities-gutted-by-manufacturing-job-loss/>.

²⁶ Ashiffa Kassam, *Ontario plans to launch universal basic income trial run this summer*, THE GUARDIAN (April 24, 2017), <https://www.theguardian.com/world/2017/apr/24/canada-basic-income-trial-ontario-summer>.

²⁷ *Id.*

²⁸ *Id.*

²⁹ Fortin, *supra* note 25.

³⁰ *Id.*

³¹ Sonia Sodha, *Is Finland's basic universal income a solution to automation, fewer jobs and lower wages?*, THE GUARDIAN (Feb. 19, 2017), <https://www.theguardian.com/society/2017/feb/19/basic-income-finland-low-wages-fewer-jobs>.

³² *Id.*

UBI.³³ According to critics, the program was scaled down due to political compromise.³⁴

In the United States, Hawaii recently approved a state house resolution that will establish a committee to explore and research potentially implementing UBI within the state.³⁵ The resolution states that a “paradigm shift in policy” will be necessary as automation, innovation, and disruption begin to rapidly worsen economic inequality by displacing significant numbers of jobs in Hawaii’s transportation, food service, tourism, retail, medical, legal, and insurance sectors.³⁶ Hawaii’s unemployment rate is currently lower than the national average.³⁷ However, State Representative Chris Lee, who introduced the resolution, claims that the unemployment rate does “not capture the real life experience of families working part time jobs without benefits, or seeing stagnating wages bust a rising cost of living.”³⁸ The “inevitable and accelerating” forces of automation and innovation will not create many new jobs, he argues, and “[t]raditional forms of government assistance are ill equipped” to address such forces.³⁹

According to Lee, UBI is necessary “to be sure that everybody will benefit from the technological revolution that we’re seeing to make sure no one’s left behind.”⁴⁰ Lee believes that rather than serving as “a support system for welfare recipients,” UBI will act as an “empowering tool,” which will give everyone new opportunity.⁴¹ People may use the aid to go back to school for better education, Lee argues, or pursue work they are passionate about, instead of leaving the workforce.⁴²

These examples show that certain lawmakers in the developed world view UBI as a viable option for the future. Ontario’s program is more universal than

³³ Antti Jauhainen and Joonas-Hermanni Makinen, *Why Finland’s Basic Income Experiment Isn’t Working*, N.Y. TIMES (July 20, 2017), https://www.nytimes.com/2017/07/20/opinion/finland-universal-basic-income.html?mcubz=0&_r=0.

³⁴ Id.

³⁵ Kentish, *supra* note 6.

³⁶ Requesting the Department of Labor and Industrial Relations and the Department of Business, Economic Development, and Tourism to Convene a Basic Economic Security Working Group, H.C.R. 89, 29th Legislature (2017).

³⁷ Economy at a Glance: Hawaii, BUREAU OF LABOR STAT., <https://www.bls.gov/eag/eag.hi.htm>; The Employment Situation, BUREAU OF LABOR STAT. (Oct. 2017), <https://www.bls.gov/news.release/pdf/empsit.pdf>.

³⁸ Email Interview with Chris Lee, Hawaii State Representative (Nov. 6, 2017).

³⁹ Id.

⁴⁰ Kentish, *supra* note 6.

⁴¹ Lee Interview, *supra* note 38.

⁴² Id.

Finland's program, because it does not distribute aid for the purpose of getting people employed. By giving unconditional aid to those in precarious low-paying jobs and those already on public assistance, Ontario's program appears to be closer to the paradigm shift called for in Hawaii's resolution, than Finland's program, which is substantively closer to current safety net programs. In addition to having twice as many recipients, Ontario's program also gives recipients far more aid than Finland's program. Ontario's program has the potential to impact recipients' lives as significantly as the aid program in Kenya. While Hawaii is in the beginning stages of exploring and researching UBI, implementing a pilot program there could serve as example for other states. Representative Lee believes that a state-by-state implementation could be effective, because individual state programs "could target specific characteristics of different regions and resources."⁴³

CRITICISMS OF UBI

Critics of UBI assert that it will disincentive the will to work.⁴⁴ Work is integral to psychological well-being, and affects overall life outlook.⁴⁵ Studies have found that people tend to be more fulfilled and happier at work than during their free time.⁴⁶ Since modern society is largely centered around the idea of work, large segments of the populace may suffer negative psychological effects of not working.⁴⁷ Those who do not work may experience problems related to self-esteem and identity.⁴⁸

Additionally, implementing UBI in the U.S. would add trillions of dollars to the federal budget, and be about twice as expensive as current federal anti-poverty programs.⁴⁹ Representative Lee believes that finding the best way to fund UBI in Hawaii will be a political challenge.⁵⁰ Others claim that a low unemployment rate, wages growing faster than productivity, and a low rate of capital investment show that employers have not fully embraced automation.⁵¹

⁴³ Lee Interview, *supra* note 38.

⁴⁴ Freedman, *supra* note 5.

⁴⁵ *Id.*

⁴⁶ Ilana E. Strauss, *Would a Work-Free World Be So Bad?*, THE ATLANTIC June 28, 2016, <https://www.theatlantic.com/business/archive/2016/06/would-a-world-without-work-be-so-bad/488711/>.

⁴⁷ Freedman, *supra* note 5.

⁴⁸ Strauss, *supra* note 46.

⁴⁹ Freedman, *supra* note 5.

⁵⁰ Lee Interview, *supra* note 38.

⁵¹ Thompson, *supra* note 20.

“I think we’re resistant but accepting of [automation],” explains Sean Freeman, an automation worker at PayPal.⁵² For example, Freeman argues that if he “told doctors they are only correct 25% of the time compared to an algorithm when scanning X-rays, they would be resistant to change. If [he] explained that they no longer needed to worry about being sued for misdiagnosis, and that the time they used to spend reviewing x-rays can be used to research the results that computers output, they will want to embrace the efficiency.”⁵³ Some argue that rather than displacing jobs, automation redefines them in ways that reduce costs and boost demand.⁵⁴ A recent study of the American workforce found that employment grew faster in occupations that made greater use of computers, because automation sped up one aspect of a job, enabling workers to do the other parts better.⁵⁵

CONCLUSION

As technology continues to automate tasks once done by humans, and as wealth continues to concentrate, lawmakers will have a choice. They can wait for industries like truck driving or retail to collapse, leaving millions jobless, or they take proactive measures, like Finland, Ontario, and Hawaii, and explore UBI to ensure that citizens are financially secure. Considering current conceptions of work, and the lack of clarity in how to fund UBI programs, such measures may be decades in coming.

⁵² Email Interview with Sean Freeman, System Development Worker at PayPal (Oct. 2, 2017).

⁵³ Freeman Interview, *supra* note 52.

⁵⁴ *Automation and Anxiety: Will smarter machines cause mass unemployment?*, THE ECONOMIST (June 25, 2016), <https://www.economist.com/news/special-report/21700758-will-smarter-machines-cause-mass-unemployment-automation-and-anxiety>

⁵⁵ *Id.*